



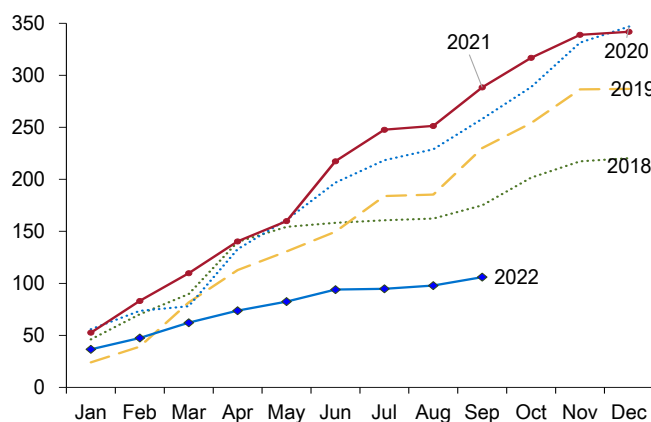
SEPTEMBER HIGHLIGHTS

- **Emerging market hard currency issuance remained extremely weak in September (\$10 bn) in what is normally a busy month.** Total nonfinancial corporate and sovereign issuance of \$127 bn YTD has declined 65% y/y, or \$240 bn behind last year's pace.
- **Sovereign issuance in September was just \$6.2 bn, compared to a \$19 bn average over the past 5 years,** and keeping 2022 on pace for the slowest year since 2015. There were no high yield issuers in September.
 - **IG Issuance:** Indonesia issued \$2.6 bn with maturities in 2027, 2032, and 2052, alongside euro-denominated bonds from Bulgaria (\$2.2 bn: 2029, 2034) and Romania (\$1.3 bn: 2026, 2029)
- **Corporate issuance continues to limp along, down 75% y/y, with less than \$4 bn in September.** Excluding January, EM corporate issuance has averaged just \$5 bn monthly in 2022. JBS USA (Brazil) and Zhengzhou Real Estate Group (China) were the largest issuers of note, alongside several smaller Chinese corporates.
- **EM credit spreads widened sharply (+57 bps) in September.** HY spreads briefly touched 1000 bps, gaining 92 bps on net, with IG 28 bps wider. The number of sovereign issuers trading at distressed levels (spreads >1000 bps) rose to 20 (inc. 27% of the benchmark index). Nearly 40% of the index now has yields above 10%
 - **Ratings roundup:** The Bahamas, Chile, El Salvador, Ghana, Pakistan, and Turkey received sovereign downgrades in September, while Vietnam and Republic of Congo were upgraded (See Annex Table 5).
- **Market conditions will remain difficult, but the Philippines and Turkey (sukuk) opportunistically issued in early October.** Prospective issuers may continue to seek out brief windows of more favourable conditions (US stocks gained 6%, 10y yields fell 30 bps in early Oct. before reversing), but analysts are skeptical of a sustained uptick in issuance for the rest of the year. Nevertheless, analysts see Uruguay as a strong possibility in the coming months, with the country interested in a sustainability-linked bond. GCC members like Bahrain and Saudi Arabia may issue before the end of the year, but high oil prices will mitigate any immediate cash needs. Brazil and Colombia are also seen as possibilities for the remainder of 2022. Several high yield issuers (Morocco, Pakistan, Gabon, Mongolia) have redemptions due in December.
- **EM hard currency bond fund outflows accelerated in September.** Hard currency fund outflows totaled nearly \$6 bn over the last 4 weeks, bringing YTD losses to -7.8% of AUM YTD (based on weekly data reporters only)

September 2022 Overview

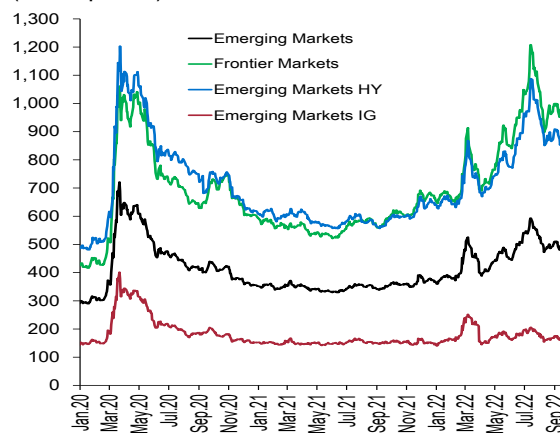
Hard currency issuance (ex. China corporates) has continued at an anemic pace in September, with \$106 bn YTD

1. Pace of Sovereign and Corporate Issuance (USD billions, excluding China corporates)



Emerging market credit spreads widened nearly 60 bps in September, with HY spreads just under 1000 bps.

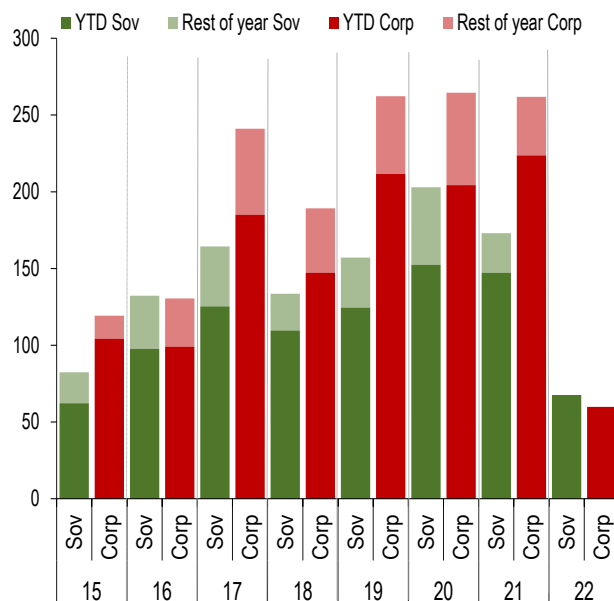
2. Emerging and Frontier Market Spreads (Basis points)



Issuance Detail: Emerging Market Corporates and Sovereigns

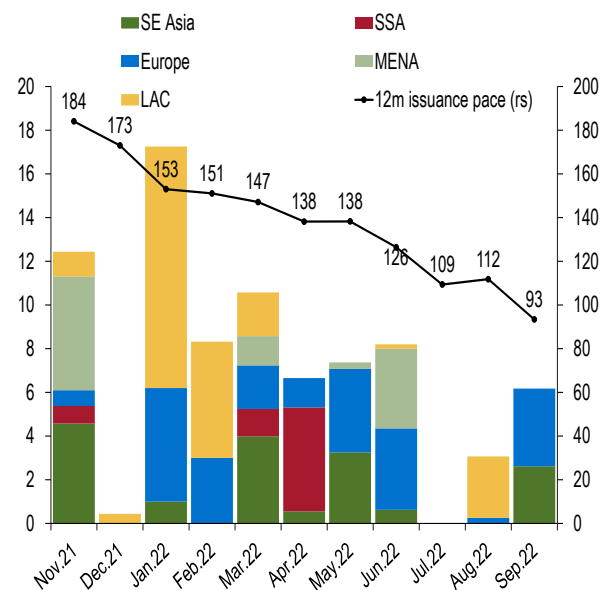
Total issuance is off to the slowest start since 2011, with sovereign and corporate supply down about \$240 bn from 2021 after a weak September (\$10 bn).

Chart 3. Sovereign and Corporate Issuance History
(USD billions)



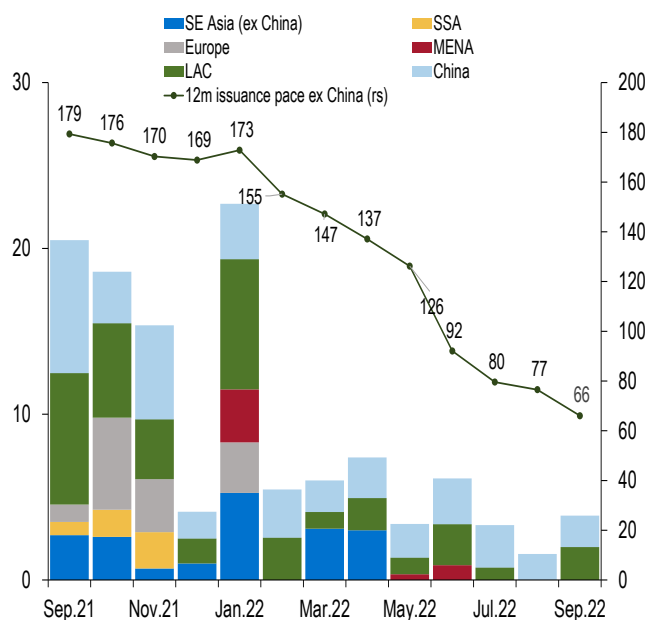
September had 3 sovereign issues worth \$6.2 bn, including Indonesia (\$2.6 bn), Bulgaria (\$2.2 bn), and Romania (\$1.3 bn)

Chart 4. EM Sovereign Hard Currency Issuance by Region
(USD billions)



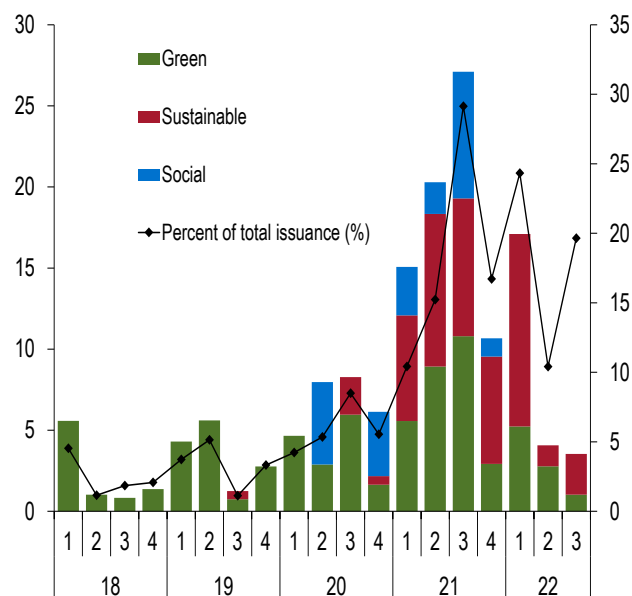
Corporate issuance (\$3.8 bn) was limited to Brazil and China in September.

Chart 5. Corporate Hard Currency Issuance by Region
(USD billions)



No ESG issues occurred in September, though it has been a favored financing source for several investment grade issuers this year (Chile, Mexico, Indonesia).

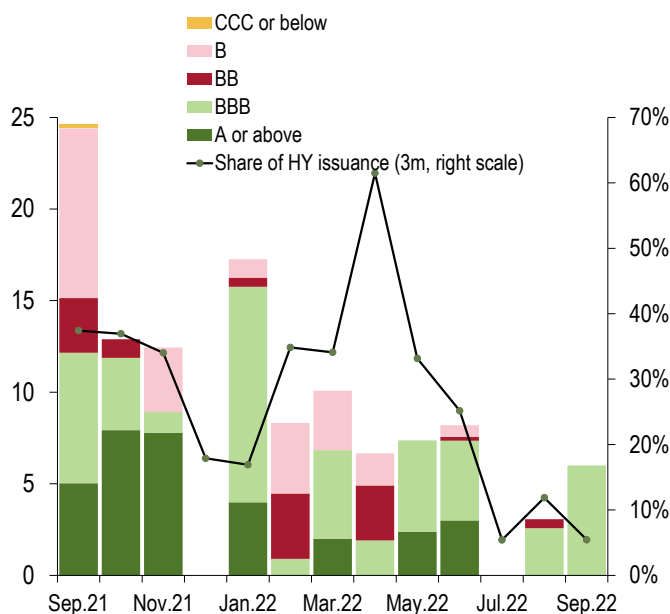
Chart 6. ESG Issuance
(USD billions; percent; quarterly)



Issuance Detail by Rating

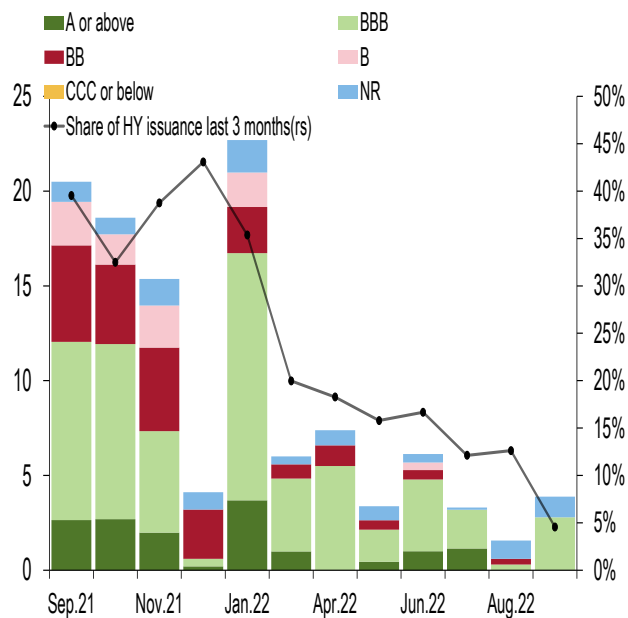
High yield issuers were shut out in September and have accounted for less than 10% of issuance since June.

Chart 7. Sovereign Hard Currency Issuance by Rating
(USD billions; Percent)



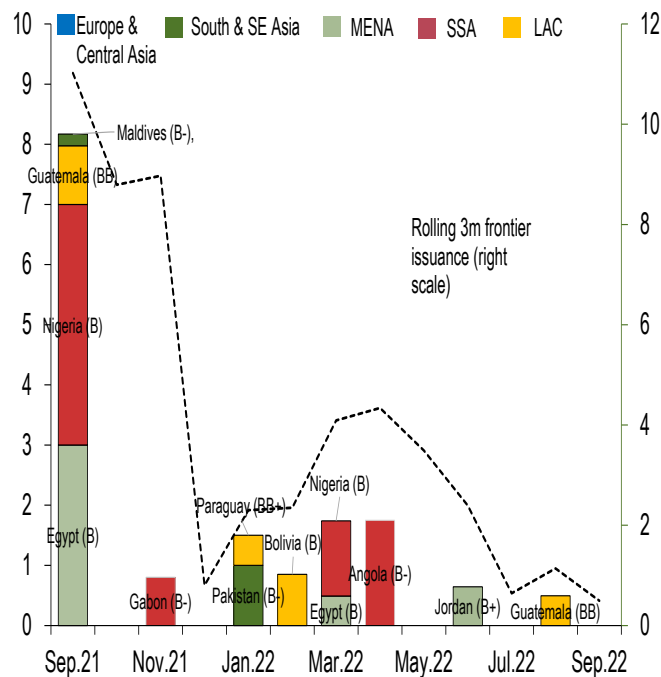
HY corporate issuers continue to largely avoid the primary bond market.

Chart 8. Corporate Hard Currency Issuance by Rating
(USD billions)



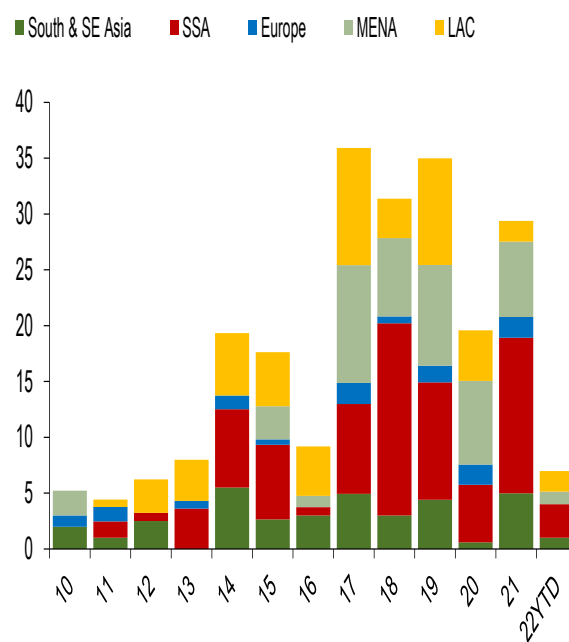
No frontier markets issued in September, with Guatemala the last to do so in August (\$0.5 bn).

Chart 9. Frontier Sovereign Issuance by Rating
(USD billions)



Frontier issuance (\$7 bn YTD) remains well off the pace of recent years.

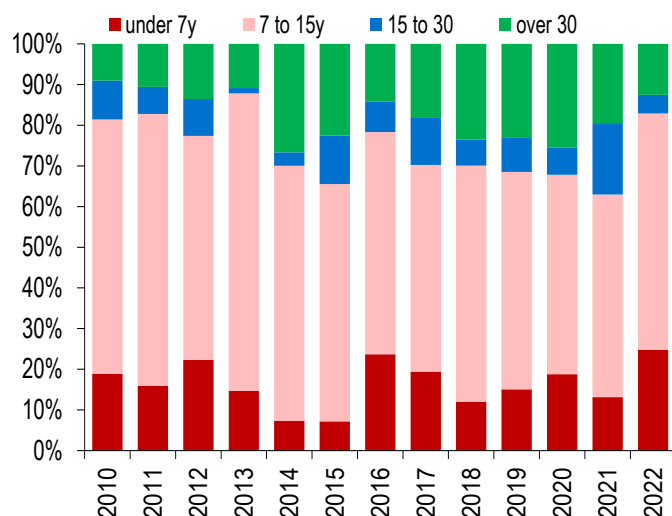
Chart 10. Frontier Sovereign Issuance by Region
(USD billions)



Issuance Detail by Maturity and Currency

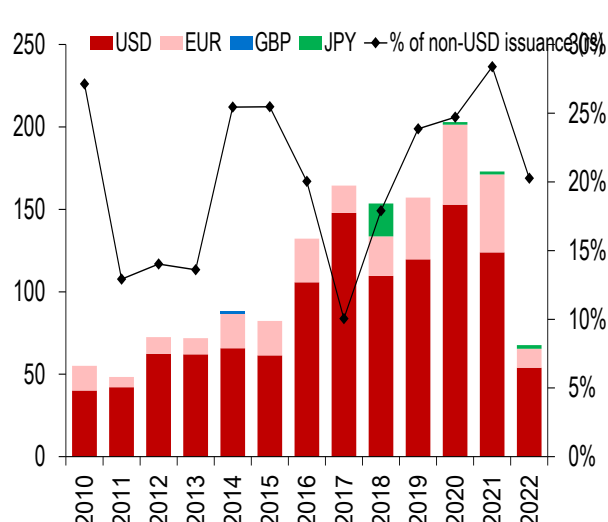
Average maturity for EM sovereigns has declined in 2022, with only 17% of issuance at greater than 15 yrs maturity, compared to 37% in 2022, the lowest since 2011.

Chart 11. EM Sovereign Issuance by Maturity
(Percent)



Bulgaria and Romania issued euro-denominated bonds, bringing the non-dollar share up to 20% YTD.

Chart 12. EM Sovereign Issuance by Currency
(Percent)



Sovereign Amortizations

Bond maturities in October are limited to IG issuers (Chile, UAE) and a small remaining payment for Bolivia. Several high yield issuers (Morocco, Pakistan, Gabon, Mongolia) have redemptions due in December, before a brisk start to 2023 with over \$10 bn due in January.

Chart 13. EM Sovereign Maturities by Rating
(US billions)

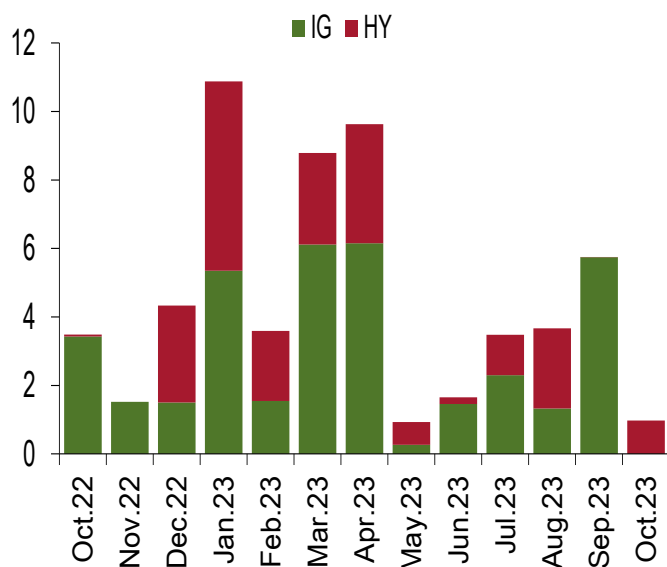
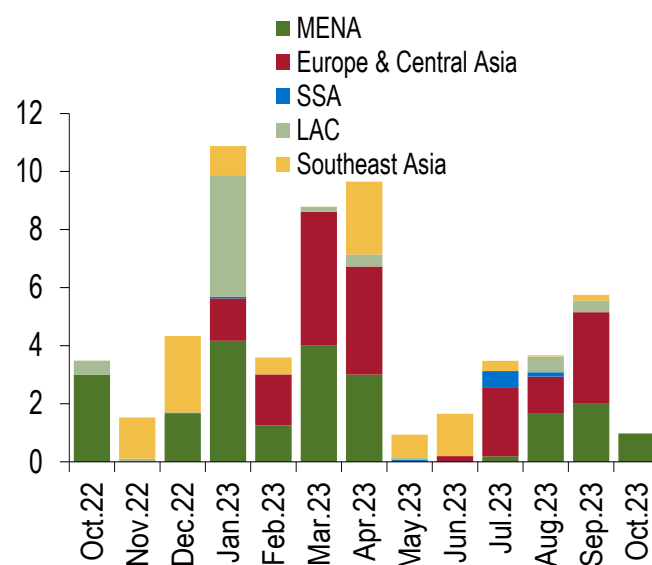


Chart 14. EM Sovereign Amortizations by Region
(US billions)

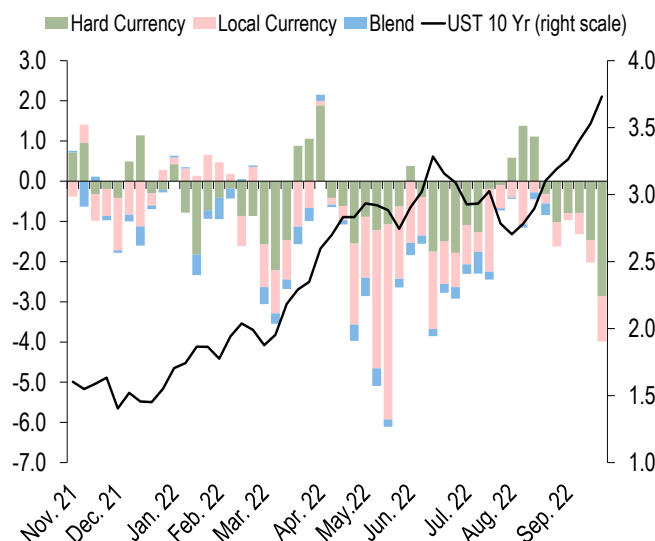


Note: does not include SOEs. MCM list of EMs does not include Czechia, Slovakia, Baltics, or Israel.

Flows: EM Debt Dedicated Funds

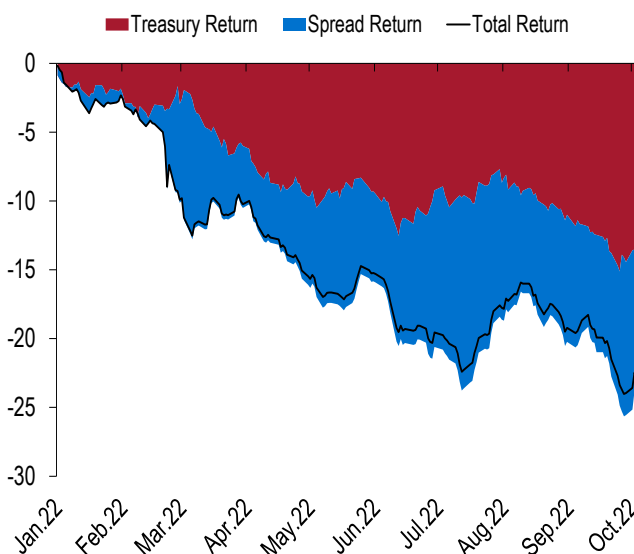
Hard currency funds lost \$6 bn in September as Treasury yields rose over 60 bps.

Chart 15. Bond Fund Flows and US 10-year yield
(USD billions, 2-week sum; percent)



Bond losses resumed in September, with the asset class down nearly 25% YTD.

Chart 16. Sovereign Hard Currency Bond Returns (YTD, percent, based on JPM bond index)



Spreads on Hard Currency Bonds

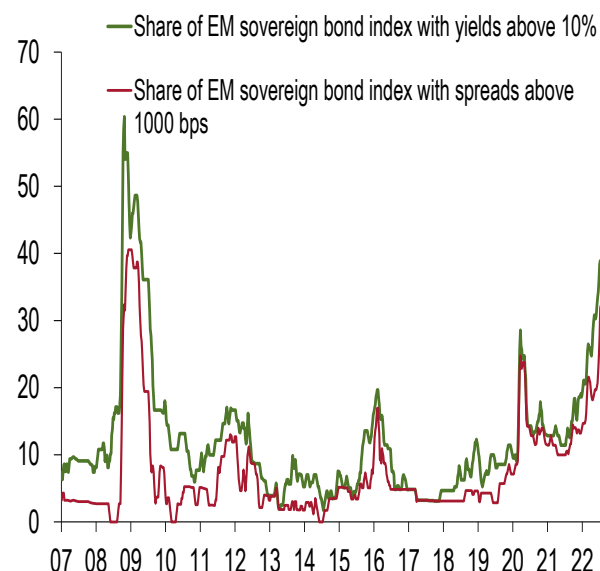
Mongolia, Egypt, and several SSA issuers saw spreads widen by over 100 bps in September.

Chart 17. Major Laggards and Gainers Last Month on Credit Spreads (Basis points; restricted to issuers with spreads below 1500)

Top-10 Leaders			Top-10 Laggards		
Country	Change in spreads	Latest spread	Country	Change in spreads	Latest spread
Suriname	(441)	1,323	Kazakhstan	53	352
Bolivia	(46)	576	Guatemala	55	333
Turkey	(45)	600	Hungary	60	313
Trinidad And Tobago	(21)	214	Senegal	62	679
Costa Rica	(7)	443	Serbia	70	387
China	(4)	2	Ivory Coast	76	566
Brazil	0	295	Azerbaijan	77	281
Mozambique	5	1,111	Romania	90	373
Bahrain	8	368	Croatia	91	116
Chile	10	208	Nigeria	102	1,044
Namibia	11	479	Kenya	109	1,026
Vietnam	13	109	Angola	111	953
Malaysia	16	117	Gabon	152	995
Jamaica	16	284	Egypt	187	1,101
Saudi Arabia	18	130	Mongolia	393	816

The share of EM sovereign issuers trading at distressed levels (spreads >1000 bps) rose back over 25%, with nearly 40% having yields above 10%.

Chart 18. Share of Distressed Issuers in EM Bond Index (share, 3 week average)



Annex

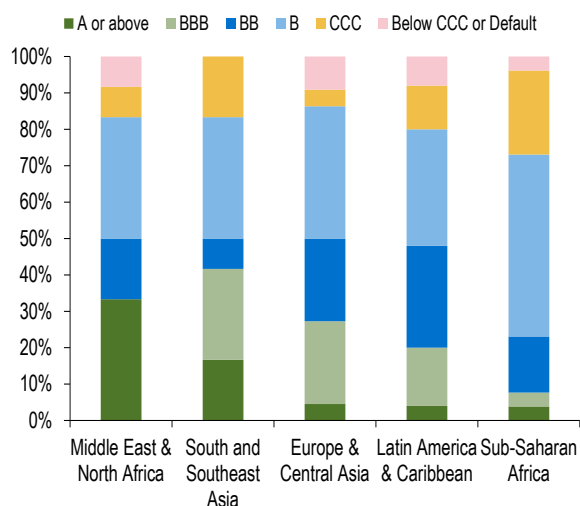
Annex Table 1. Top 2022 Issuers: Sovereign Bonds (USD billions)

Issuer	2021	2022	Jul-22	Aug-22	Sep-22
Romania	8.2	8.5	-	0.3	1.3
Indonesia	12.2	8.2	-	-	2.6
Mexico	9.1	7.3	-	2.3	-
Chile	15.5	6.0	-	-	-
Turkey	10.0	5.0	-	-	-
United Arab Emirates	10.9	4.2	-	-	-
Hungary	5.3	3.7	-	-	-
Dominican Republic	2.5	3.6	-	-	-
South Africa	-	3.0	-	-	-
Philippines	6.0	2.8	-	-	-
Panama	4.7	2.5	-	-	-
Bulgaria	-	2.2	-	-	2.2
Poland	-	2.1	-	-	-
Angola	-	1.8	-	-	-
Croatia	2.4	1.4	-	-	-
Nigeria	4.0	1.3	-	-	-
Pakistan	3.5	1.0	-	-	-
Bolivia	-	0.9	-	-	-
Jordan	-	0.6	-	-	-
Paraguay	0.9	0.5	-	-	-
Guatemala	1.0	0.5	-	0.5	-
Egypt	6.8	0.5	-	-	-
China	8.6	0.4	-	-	-
Bahamas, The	-	0.2	-	-	-

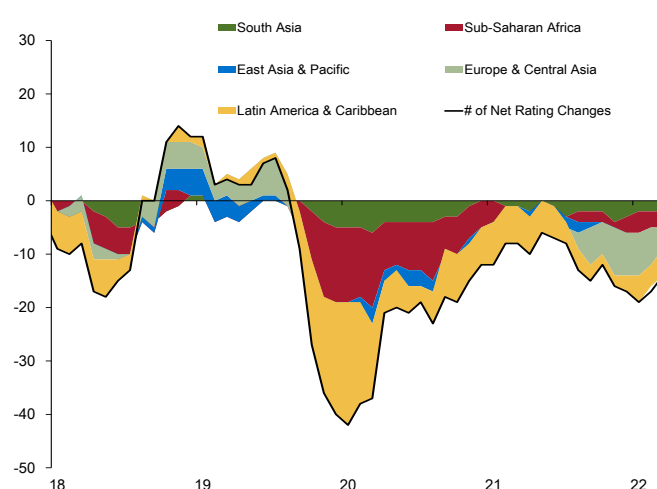
Annex Table 2. Top Issuers: Corporate Bonds (USD billions)

Issuer	2021	2022	Jul-22	Aug-22	Sep-22
China	93.0	21.4	2.6	1.6	1.9
Brazil	24.4	9.6	-	-	2.0
India	14.0	6.0	-	-	-
Mexico	17.1	4.3	0.7	-	-
Indonesia	8.8	3.0	-	-	-
Saudi Arabia	6.9	2.9	-	-	-
Chile	10.3	2.6	-	-	-
Guatemala	0.7	2.0	-	-	-
United Arab Emirates	10.6	1.5	-	-	-
Thailand	1.5	1.3	-	-	-
Serbia	0.5	1.1	-	-	-
Malaysia	6.1	1.0	-	-	-
Hungary	1.2	0.6	-	-	-
Romania	0.4	0.6	-	-	-
Peru	3.7	0.5	-	-	-
Trinidad and Tobago	-	0.5	-	-	-
Turkey	2.7	0.5	-	-	-
Georgia	0.5	0.3	-	-	-
Philippines	3.2	0.1	-	-	-

Annex Table 3. Ratings by Region (share by rating and region)



Annex Table 4. Net Ratings Updates (number of net rating actions, six month sum)



Annex Table 5. Latest Ratings Actions

	New Median rating	Latest			End August. 22		
		S&P	Fitch	Moody's	S&P	Fitch	Moody's
The Bahamas	B+	B+		B1	B+		Ba3
Chile	A	A	A-	A2	A	A-	A1
El Salvador	CCC-	CCC+	CC	Caa3	CCC+	CCC	Caa3
Ghana	CCC	CCC+	CC	Caa2 *	CCC+	CCC	Caa1
Pakistan	B-	B-	B-	Caa1	B-	B-	B3
Repb. Congo	CCC+	CCC+	CCC+	Caa2	CCC+	CCC	Caa2
Turkey	B	Bu	B	B3	B+u	B	B3
Vietnam	BB	BB+	BB	Ba2	BB+	BB	Ba3

Note: Annex Table 4 incorporates S&P, Fitch, and Moody's ratings agencies. Size of ratings adjustment not reflected; a ratings change by any agency counts as "1".